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STATE FOR COUNSELOR ZELIKOW, NEA/ARP, SCA/FO, SCA/A, EB FOR
ALEXEI MONSARRAT, USAID FOR AMBASSADOR TOBIAS

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TAGS: [ECON](#) [EAID](#) [PGOV](#) [PREL](#) [IZ](#) [AF](#) [GZ](#) [WE](#) [XF](#) [KU](#)
SUBJECT: ARAB AND KUWAIT FUND HEADS CALL FOR CLOSER
COORDINATION WITH USG COUNTERPARTS ON DEVELOPMENT ASSISTANCE

REF: A. SECSTATE 80842
[1](#)B. KUWAIT 890
[1](#)C. KUWAIT 399
[1](#)D. 05 KUWAIT 4624

Classified By: Ambassador Richard LeBaron. Reasons 1.4 (b) and (d)

[1](#)1. (C/NF) Summary: During separate meetings on May 29 and 31 with the Ambassador, Abdulwahab Al-Bader, Director General of the Kuwait Fund for Arab Economic Development (KFAED) and Abdulatif Al-Hamad, Chairman of the Arab Fund for Economic and Social Development (AFESD) reaffirmed their organizations' commitments to the new Iraqi government, while calling for greater Iraqi unity and governance. Both officials urged closer coordination with USG and Western counterparts and pointed to AFESD efforts to convene a meeting of Arab and Western donor organizations on aid coordination. They also described a mixed record of efficiency among other Arab donor organizations; reviewed assistance priorities and modalities for the Palestinian Territories, including Al-Quds University; outlined AFESD projects in Lebanon; described GCC efforts to host a donor conference for Yemen later this year; and welcomed closer dialogue between KFAED and the Government of Afghanistan (GOA) to resolve the GOA's arrears. End summary.

[1](#)2. (C/NF) On May 29 and 31, the Ambassador met with KFAED Director General Abdulwahab Al-Bader and AFESD Chairman Abdulatif Al-Hamad, respectively, to urge timely GOK assistance to the new Iraqi government; encourage increased dialogue between Arab donor organizations and their USG counterparts; solicit an update on assistance to Afghanistan, Lebanon, and Yemen; encourage assistance to Al-Quds university in Jerusalem (per ref A); and provide an update on USG/Quartet efforts to establish a temporary international mechanism for assistance to Palestinians.

Iraq Assistance: Not a Penny Spent Yet

[1](#)3. (C/NF) On Iraq assistance, the Ambassador pointed to recent political progress in Iraq as an important opportunity for Arab donor organizations to demonstrate their support to the new Iraqi regime through timely development assistance. Both Al-Bader and Al-Hamad concurred with the Ambassador on the need to bolster the new Iraqi regime and the importance of Iraqi good governance and unity in helping to ensure the success of the political process.

[1](#)4. (C/NF) Al-Bader voiced frustration at the lack of progress on KFAED aid disbursements, exclaiming that "not a single penny has been spent, except for some small amount on consulting fees." He explained that efforts to form a new

government in Baghdad had stalled bilateral talks on KFAED's \$560M assistance package (see ref C para 4), quipping that the assistance funds, currently on deposit, were "generating good income" in anticipation of disbursal.

15. (C/NF) Al-Hamad, commenting that near-term instability in Iraq is to be expected, added that the time had come for "Iraqi leaders to make up their minds" to overcome lingering political differences in order to focus on governing and resolving the country's social and economic woes. As an example, Al-Hamad noted that electrical shortages in Iraq were now a direct result of sabotage and not military collateral damage, thereby placing an added burden on the new government "to get its act together" to address these and other problems.

16. (C/NF) Al-Hamad welcomed the Ambassador's recommendation for direct talks between AFESD and the new Iraqi Finance Minister. AFESD was awaiting the formation of a permanent Iraqi government to begin formal dialogue to address Iraq's suspended AFESD membership resulting from arrears under the Saddam regime and the possibility of renewed AFESD assistance, he said. He also pointed out that the Kuwait-based Multilateral Investment Guarantee Institution, an Arab institution somewhat similar to OPIC, had resumed ties with the Iraqi government after having addressed the institutions' debts with Baghdad dating to the Saddam regime. (NOTE: Al-Hamad welcomed the idea of contact by the new Iraqi Finance Minister.)

Reviving Ties with USAID and Western Aid Organizations

17. (C/NF) The Ambassador pointed to recent USG restructuring

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efforts aimed at consolidating development responsibilities under a single authority, evidenced by the recent appointment of Ambassador Randal Tobias as concurrent Director of Foreign Assistance and USAID Administrator. He underscored the importance of closer engagement and coordination between the USG and development organizations in the Arab world to advance shared interests in the region.

18. (C/NF) Both Fund officials enthusiastically endorsed the idea of reviving dormant ties with USAID and other interested Western development organizations, including the OECD Development Assistance Committee and counterpart agencies in the UK, France and EU countries. Al-Hamad's described plans (that he will oversee) to convene a meeting of Arab donor organizations in November with the USG, EU, UK, France, OECD and other interested Western aid organizations to foster dialogue and coordination on development priorities. Al-Hamad added that he proposed the idea at the April meeting of heads of Arab/Islamic aid and development finance organizations in Vienna and offered to host the event in Kuwait in November or December, subject to the Arab Fund Board's formal approval.

19. (C/NF) According to Al-Hamad, participants at the proposed joint donor meeting would include any interested Western development agencies and members of Arab Aid, an umbrella donor organization headed by AFESD and comprised of KFAED, the Arab Monetary Fund, the Abu Dhabi Fund, the Islamic Development Bank, the Saudi Fund, the Arab Bank for Economic Development in Africa, the Arab Gulf Programme for United Nations Development Organizations, and the OPEC Fund for International Development. Kuwait Fund DG Al-Bader told us he supported this initiative and looked forward to reinvigorating ties with USAID that had essentially been dormant for at least a decade.

Room for Improvement Among Other Arab Donor Organizations

110. (C/NF) In response to the Ambassador's questions about

the state of other GCC development organizations, Al-Bader pointed to "a mixed record" of effectiveness, noting that the Abu Dhabi Fund was "more a shell than a real fund" but that the Saudi Fund had improved its operations under new management. Al-Hamad echoed Al-Bader's criticism of the Abu Dhabi fund, blaming the organization's ineffectiveness on poor management and the "absence of Shaykh Zayed's generosity"--referring to the late UAE ruler's renowned philanthropy. He also pointed to increased frustration among some Arab countries with the Islamic Development Bank's inflexible loan repayment rules preventing early repayment of loans. (Note: The IDB held its ministerial-level meeting at the Arab Fund building this week. Al-Hamad was not impressed with the IDB's organizational skills.)

¶11. (C/NF) The Ambassador also asked about the prospects of Qatar establishing its own development fund. Al-Bader endorsed the idea and noted that the Qataris were testing the waters and that KFAED had been consulted by officials in Doha for recommendations. Al-Hamad was dismissive of Qatar's efforts, exclaiming that the old Qatari regime "didn't do it out of meanness" and that the new regime was unlikely to establish a fund "out of arrogance." "Qataris are still operating in an Al-Jazeera mentality," he added, noting that Doha is prepared "to give \$50M to Hamas to embarrass everyone else, but not \$20M to Yemen" for urgent development projects.

Afghanistan: Afghans Should Talk To Us

¶12. (C/NF) On the pending Afghanistan arrears with KFAED (ref D), Al-Bader lamented the lack of GOA follow-up with KFAED in the aftermath of the London Afghanistan Compact conference where a new repayment schedule had been offered to the GOA (ref B). Al-Bader explained that the GOK was eager to sit down and discuss the terms of the agreement with the GOA in order to justify resuming KFAED bilateral assistance. He welcomed the opportunity to meet with the visiting Afghan Finance Minister this week on the margins of an Islamic Development Bank conference in Kuwait. The Ambassador offered to lend Embassy assistance in reaching out to the Afghan Embassy. (Note: Post conveyed Al-Bader's points to the Afghan Ambassador to Kuwait and visiting Afghan Finance Minister Ahady, who confirmed that he is scheduled to meet Al-Bader this week. Ahady has also apparently proposed to his GOK counterpart, Finance Minister Al-Humaidhi, that the

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Kuwait Finance Ministry buy out the GOA's arrears by paying KFAED the outstanding arrears. Post will follow-up with KFAED for a readout of Al-Bader's meeting with Ahady. End note.)

Assistance to Palestinians

¶13. (C/NF) On assistance to Palestinians, the Ambassador pointed to ongoing Quartet efforts to establish an alternative temporary international mechanism for channeling assistance to Palestinians. Al-Hamad welcomed the initiative, asserting that "there is a desperate need there, both humanitarian and political", while reaffirming AFESD's continued commitment to the Palestinian people. AFESD assistance has always been channeled directly to Palestinian beneficiaries with effective safeguards, bypassing late President Arafat and the Palestinian Authority, to ensure transparency and accountability, Al-Hamad stressed. He also explained that over the last four years, Arab donor organizations have provided 10 percent of their annual revenues as grants in support of Palestinian humanitarian needs.

¶14. (C/NF) Al-Hamad also described an AFESD scholarship fund established to fund university education for Palestinian students, in an effort to "create some hope in the next generation and keep them off the streets." According to

Al-Hamad, other projects under consideration include health and water resourcing projects.

¶15. (C/NF) The Ambassador encouraged increased assistance to Al-Quds University (AQU) in Jerusalem (per ref A). Al-Hamad, although critical of AQU officials as "too bloody aggressive" in demanding "more than their fair share" of assistance, explained that AQU, along with other needy academic institutions in the territories, would continue to receive AFESD assistance based on legitimate needs and not because of name recognition or political lobbying by sympathetic Arab officials. (Note: Al-Hamad revealed that AQU officials had apparently convinced Arab League Secretary General Amr Moussa to lobby him for additional AFESD assistance. End note.) Al-Bader pointed out that KFAED had provided \$500,000 through the Arab Fund to support the university's study center as part of its commitment to the school, and had been instrumental in the establishment of the university.

We Will Always Be There for Lebanon

¶16. (C/NF) Al-Hamad also described AFESD plans to fund administrative reform projects (IT resources, governance training) and other "loose end" projects in Lebanon in an effort to foster economic development and help promote political stability. Some of these projects would include connecting treatment plants to idle networks; road projects, school construction, and river development projects intended to spur rural development. Larger projects under review include power projects that would link Lebanon to a regional gas pipeline with Egypt, Jordan and Syria. "The Arab Fund will always be there for Lebanon," Al-Hamad asserted.

Yemen: Not Right for GCC Membership

¶17. (C/NF) On assistance to Yemen, Al-Hamad (protect) scoffed at the Kingdom of Saudi Arabia's suggestion to GCC counterparts that Yemen join the regional organization. Al-Hamad commented that the KSA offer was proposed by King Abdullah, "a generous, frank, and open man--unlike his brothers" whose suggestion for Yemeni membership was unrealistic and rejected by other GCC countries, including Kuwait. He added that as a compromise, GCC countries have agreed to channel increased assistance to their southern neighbor in an effort to address Yemen's dismal economic situation with plans underway to host a GCC-chaired donor conference for Yemen in London this fall, in coordination with the World Bank. (Note: We have not seen other references to Al-Hamad's claim that King Abdullah proposed GCC membership for Yemen, Sanaa 01208 describes the donor effort.)

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